

FISCAL NOTE

HB 2498

January 22, 2008

SUMMARY OF BILL: Amends the retirement law by increasing the maximum allowable cost-of-living increase from 3% to 4% based on the increase in the CPI. The bill is optional to participating political subdivisions.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$211,817,000 Annual Amortized Cost

Increase Local Gov't. Expenditures:

\$81,296,000 Annual Amortized Cost*

\$65,990,000 Annual Amortized Cost/Permissive

Other Fiscal Impact – Increase Federal/Other Expenditures:

\$29,957,000 Annual Amortized Cost

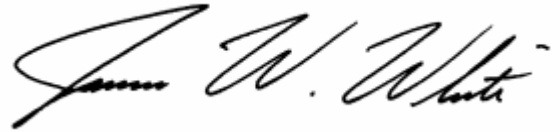
Assumptions:

- Total lump sum pension liability to state government of \$3,282,340,000.
- Annual amortization cost assumes a 20-year lump sum liability.
- K-12 teachers assume a 60%-40% ratio between state and local funding.
- An additional 1% increase in the cost-of-living for retired members based on the historical analysis of the CPI by the Division of Retirement's actuary indicating that the average annual COLA adjustment will be 4%.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized "J" and "W".

James W. White, Executive Director

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